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Transcript of Senator Gregg's CNBC Interview on Kudlow and Company
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(unofficial transcript of Gregg excerpts)

Kudlow: You just heard House Speaker, supply-sider Nancy Pelosi, talking about the growth package, so my question now, is a bipartisan growth package in the Senate really possible before 2010? Joining us is Democratic Senator Ron Wyden from Oregon, Republican Senator Judd Gregg from New Hampshire....

[Q&A with Sen. Wyden]

Kudlow: Can you get such a thing? I mean you'll never get that through in 2008. If you go bridges, roads, tunnels, even if they're worthwhile. By the way, Governor Huckabee has been arguing for the same thing, besides Bloomberg. But that's the sort of thing you don't want in this package isn't it?

Sen. Gregg: Well, a short-term stimulus package should actually stimulate demand, more than the investment side, although I happen to believe we should do an investment package, which would down the road do the type of thing that Ron's talking about, which is capital investment, and we should do more capital formation. And this package should have more capital formation in it.

This is a 'kumbaya' moment. The substance of this actually isn't that great; it really isn't going to have much of an impact. These rebate checks are like flying around in a plane throwing money out and by the time they occur it's going to be the third or fourth quarter.

Kudlow: You're a flinty eyed, New Hampshire, tough, budget-cutting Senator. This is going to increase the deficit by \$150 to \$200 billion a year, and in your own words, it isn't going to work. Are you willing to make that call? A \$200 billion add-on to the budget deficit?

Sen. Gregg: Well, I'm not making the call, that's the point. It was an agreement between the President and the House leadership, which I suspect the Senate leadership is going to go along with. I may not vote for it, but I'm one voice here. My approach would have been to put much more money on the investment side of the ledger, extend the capital gains and dividend rates and I think we would have done much more for the economy.

[Q&A with Sen. Wyden]

Kudlow: Are you disappointed that the White House is backing off this earmarks story? I mean, the President set the stage last year, he talked about it, I don't know, the last three months of the year, budget spending for overruns, earmarks: we can't have them. How many were there? \$35 billion, 11,000 earmarks? What came of it? They had a study, and they're going to make an Executive Order for next year. What about this year, what have you done for me recently?

Sen. Gregg: Well, of course there's some irony here. They're putting in place a \$150 billion stimulus package which they're going to borrow from our children to repay and the package is going to do very little to stimulate the economy. Sure, we should do earmark reform, and sure, one of the keys to that reform is that every time you eliminate an earmark, the baseline comes down so that the money doesn't get spent somewhere else, but more importantly, we should do long-term entitlement reform because that's where the real money is. As Willie Sutton said, you go where the money is. Long-term entitlement reform is where it is.

Kudlow: You've always talked about earmarks, you've always talk about deficits, you are the flinty-eyed Senator from New Hampshire. I cannot let go of that, I just love that nomenclature for you. But it's Republicans on the Appropriations Committee who want these earmarks. They say they can't get re-elected without them.

Sen. Gregg: Let me assure you that earmarks are demanded or requested by almost everybody in the Senate.

Kudlow: Democrats and Republicans?

Sen. Gregg: Democrats and Republicans.

[Q&A with Sen. Wyden]

Kudlow: Actually, the stock market is applauding both the fed rate cuts and the pro-growth package. Last word, Mr. Gregg.

Sen. Gregg: We do need tax reform. We need major tax reform. We need to reduce the rates, we need to take a lot of deductions out. Ron and I are working very hard on that. We also need entitlement reform. Those are the two places where the real money is, and that's where this economy could be made a lot more efficient and a lot stronger.

Kudlow: I think you're right, Senator, but I also think we need more flinty-eyed senators to protect the public purse. This is \$200 billion dollars going right out the window. Thanks very much Senator Ron Wyden and Senator Judd Gregg.